

LEOFF 1 Survivor Benefits

Background

LEOFF 1 members who marry after retirement may designate their new spouse as a beneficiary during a one-year window that begins one year after the date of marriage. To make such a designation, there may not be a qualified ex-spouse receiving a portion of the member's retirement benefit under a court approved property settlement. To receive this benefit the member's allowance is actuarially reduced.

Committee Activity

Presentation:

December 7, 2004 - Full Committee Hearing

Proposal:

December 7, 2004 - Full Committee

Recommendation to Legislature

Allow a LEOFF 1 member to designate a spouse from a post-retirement marriage as a beneficiary even if there is a qualified ex-spouse receiving a portion of the member's retirement benefit under a court approved property settlement.

Staff Contact

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Select Committee on Pension Policy

LEOFF 1 Survivor Benefits

(October 27, 2004)

Proposal

Allow a LEOFF 1 member to designate a spouse from a post-retirement marriage as a beneficiary even if there is a qualified ex-spouse receiving a portion of the member's retirement benefit under a court approved property settlement.

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Members Impacted

As of the 2003 valuation, there were 991 active members, 6,870 retirees, and 1,184 survivors in LEOFF 1.

Current Situation

Members who marry after retirement may designate their new spouse as a beneficiary during a one-year window that begins one year after the date of marriage. To make such a designation, there may not be a qualified ex-spouse receiving a portion of the member's retirement benefit under a court approved property settlement. To receive this benefit the member's allowance is actuarially reduced.

History

HB 3173 was introduced in the 2004 legislative session. It would have allowed a spouse from a post-retirement marriage to receive survivor benefits even though there was a qualified ex-spouse already receiving benefits. The bill did not receive a hearing.

Policy Analysis

Implicit retirement policies outlined by the former Joint Committee on Pension Policy state that “Pension benefits should meet the needs of employees, retirees, and employers within available resources,” and “Retirees should have more flexibility in determining the form and timing of their benefit.” The provisions allowing ex-spouses and spouses from post-retirement marriages to receive survivor benefits are based on these policies. Any expansion of eligibility for multiple survivors to receive fractional benefits would be in keeping with these policies.

Executive Committee Recommendation

Forward the bill to the full committee for consideration.

Bill (Draft)

Attached

Fiscal Note (Draft)

Attached

1 AN ACT Relating to choosing a reduced retirement allowance under
2 the law enforcement officers' and fire fighters' retirement system,
3 plan 1; amending RCW 41.26.164; and declaring an emergency.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

5 **Sec. 1.** RCW 41.26.164 and 2002 c 158 s 4 are each amended to read
6 as follows:

7 (1) No later than July 1, ~~((2003))~~ 2005, the department shall adopt
8 rules to allow a member who meets the criteria set forth in subsection
9 (2) of this section to choose an actuarially equivalent benefit that
10 pays the member a reduced retirement allowance and upon death, such
11 portion of the member's reduced retirement allowance as the department
12 by rule designates shall be continued throughout the life of a spouse
13 ineligible for survivor benefits under RCW 41.26.160 or 41.26.161.

14 (2) To choose an actuarially equivalent benefit according to
15 subsection (1) of this section, a member shall:

16 (a) Have a portion of the retirement allowance payable to the
17 retiree that is not subject to periodic payments pursuant to a property
18 division obligation as provided for in RCW 41.50.670; and

19 (b) ~~((Have no qualified ex spouse under RCW 41.26.162(1)); and~~

1 ~~(e))~~) Choose an actuarially reduced benefit during a one-year
2 period beginning one year after the date of marriage to the survivor
3 benefit-ineligible spouse.

4 (3) A member who married a spouse ineligible for survivor benefits
5 under RCW 41.26.160 or 41.26.161 prior to the effective date of the
6 rules adopted under this section and satisfies ~~((the conditions of))~~
7 subsection (2)(a) ~~((and (b)))~~ of this section has one year to designate
8 their spouse as a survivor beneficiary following the adoption of the
9 rules.

10 (4) No benefit provided to a child survivor beneficiary under RCW
11 41.26.160 or 41.26.161 is affected or reduced by the member's selection
12 of the actuarially reduced spousal survivor benefit provided by this
13 section.

14 (5)(a) Any member who chose to receive a reduced retirement
15 allowance under subsection (1) of this section is entitled to receive
16 a retirement allowance adjusted in accordance with (b) of this
17 subsection if:

18 (i) The retiree's survivor spouse designated in subsection (1) of
19 this section predeceases the retiree; and

20 (ii) The retiree provides to the department proper proof of the
21 designated beneficiary's death.

22 (b) The retirement allowance payable to the retiree from the
23 beginning of the month following the date of the ~~((beneficiaries~~
24 ~~{beneficiary's}))~~ beneficiary's death shall be increased by the
25 following:

26 (i) One hundred percent multiplied by the result of (b)(ii) of this
27 subsection converted to a percent;

28 (ii) Subtract one from the reciprocal of the appropriate joint and
29 survivor option factor.

30 NEW SECTION. **Sec. 2.** This act is necessary for the immediate
31 preservation of the public peace, health, or safety, or support of the
32 state government and its existing public institutions, and takes effect
33 immediately.

--- END ---

DRAFT FISCAL NOTE

REQUEST NO.

RESPONDING AGENCY:	CODE:	DATE:	BILL NUMBER:
Office of the State Actuary	035	12/22/04	Z-0200.2/Z-0201.2

SUMMARY OF BILL:

This bill impacts the Law Enforcement Officers' and Fire Fighters' Retirement System Plan 1. It amends the plan provision relating to survivor benefits under RCW 41.26.164, which provides an optional reduced retirement allowance with survivor benefits to spouses that are ineligible for survivor benefits under other plan provisions. The bill changes one of the criteria for allowing a member to choose this retirement option. Under this legislation, the member could select the option as long as there is some portion of his or her retirement benefit that is not subject to a property division pursuant to a domestic relations order. Currently, any division would defeat the member's ability to select this option.

Effective Date: Immediately upon passage.

CURRENT SITUATION:

Currently a member desiring to choose this option shall "have the retirement allowance payable to the retiree not subject to periodic payments pursuant to a property division obligation as provided for in RCW 41.50.670." This language is broad enough to suggest that the presence of any such division would defeat the member's ability to choose this option. With the new language, the member could choose this option so long as there is a portion of the retirement allowance that is not subject to division.

MEMBERS IMPACTED:

This bill would impact LEOFF 1 members who have or will have a domestic relations order that applies to their benefit. We estimate that this bill could potentially affect all members of the LEOFF 1 system.

ASSUMPTIONS:

We assume that the value of the reduced benefit under this option will be actuarially equivalent to the unreduced benefit.

FISCAL IMPACT:

None.